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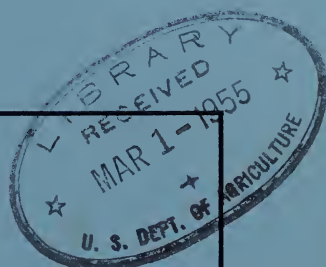
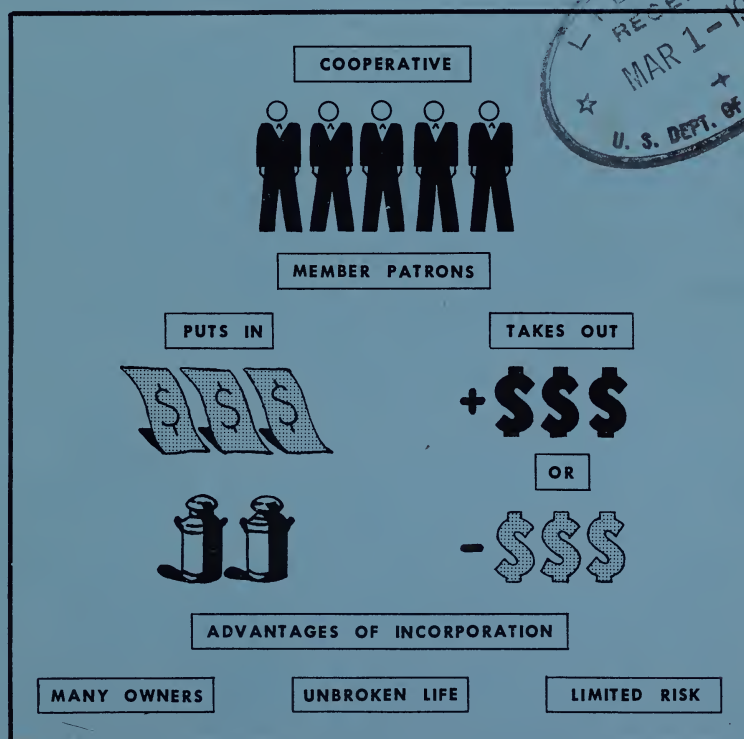
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FARMER COOPERATION

An American Way

Section B ... 4-H Illustrated Talks

- Purchasing Feeds
- Four Kinds of Business Firms



FARMER COOPERATIVE SERVICE and
EXTENSION SERVICE of the
U. S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.
In Cooperation with
AMERICAN INSTITUTE OF COOPERATION

FOREWORD

The "off the farm" or the "beyond the line fence" phases of farming have greatly increased. Also, as smaller portions of the products of the farm are consumed there, these activities are increasing. Through their cooperatives, farmers can increase their participation in this "off the farm" business.

Participation in business and business organizations requires an understanding of the business and of the organizations. In 1950 the Director of the Federal Extension Service considered the understanding of cooperative farm business by members of 4-H Club and young men and women's groups of such importance that he appointed a committee to develop a program in cooperation. This committee decided that demonstrations, illustrated lectures and dramatizations would be a valuable part of the program.

Some suggested demonstrations and illustrated lectures are developed in this circular. They are guides only. It is suggested that leaders adapt them to suit the particular clubs or groups that use them. One club will probably not be interested in all the activities. Thus, it was not thought practical to put all the demonstrations in one publication. Therefore, FCS Educational Aid 1 has been developed in sections.

Section A. Contains dramatizations on "The Way of the Pioneer" and "Cooperation Lights and Lightens Housework."

Section B. Contains illustrated talks on "Purchasing Feeds" and "Four Kinds of Business Firms."

Section C. Contains demonstrations on "The Use of the Revolving Fund for Financing Farmer Cooperatives" and "Parliamentary Procedure."

Section D. Contains an illustrated talk on the "The Way Farmers Do Business."

Section E. Contains an illustrated talk on "The American Private Enterprise System."

Section F. Contains group demonstrations on "The Co-op Tour as an Educational Activity" and "Organizing a Junior Cooperative."

The presentations developed in Sections A, B, C, D, and F are suggested for older teenagers and for young people beyond 4-H Club age. Section F has been designed for use by 4-H Club leaders and can be adapted to all age groups.

An Illustrated Talk on Purchasing Feeds¹

C. F. Christian²

Introductions - Two club members who identify their club, name the club advisor(s), tell projects carried by club members, etc.

Club Member: Our talk deals with a common problem in all livestock projects of 4-H work. For economical growth and fattening of livestock we use all the home-grown feeds possible. It is always necessary, however, to buy some ingredients of a well-balanced ration. My teammate and I will discuss purchasing the supplements to home-grown feeds which will be needed to raise a breeding gilt from weaning time until the gilt has her first litter.

Second Club Member: Our experiment station reports that the following amounts of feed will be required to raise a breeding gilt from weaning time until she has her first litter. (Displays a chart with the kinds and amounts of feed.) We have listed the home-grown feeds (corn, oats, pasture, alfalfa hay) and the supplements separately. The total amount of supplements needed is about 75 pounds for each gilt and at present prices that means spending about \$_____.

First Club Member: Every year about 10 million sows farrow in the United States. We raise about 7 million gilts for replacements in our breeding herds each year. The purchased feeds for these gilts is a sizeable part of the total income received from hogs sold off the farm. That is why we have to do a good job of buying those feeds, if we are to make a profit in hog production.

Second Club Member: Research done at our experiment stations and demonstrations by swine breeders and feed companies have established what kinds of feed are needed to make quick growth, to produce large litters of thrifty pigs. We have our choice in buying these feeds or getting them as separate items and mixing with our home-grown grains or of buying mixtures prepared in feed mills. Purchasing prepared mixtures or complete rations for gilts is much safer now than it used to be.

First Club Member: Here is what we mean when we say the purchase of supplements or complete rations is safer now than it used to be. (Exhibits an enlargement of a tag from feed bags, showing ingredients and percents of protein, etc.)

First Club Member (continues): In the early days of commercial feed business it was customary to merely give the total nutrients in a feed by percents. The farmer cooperatives were the first to list all of the ingredients in addition to stating the percentages of protein, carbohydrates and fiber in feeds. These cooperative feeds were called

¹Subject matter for other types of livestock may be substitutes.

²Land Grant College Consultant 1951, American Institute of Cooperation, 1951.

"Open formula" feeds. They set a new high standard for quality and value. Of course, other feed manufacturers followed the practices started by the cooperatives. Today most feeds are labelled so that the farmer can figure what he is buying. My teammate will now explain how we decide which feed is the best value.

Second Club Member: The most expensive ingredient in feeds is protein, the muscle building part of the ration. Here we have two protein supplements commonly used with home-grown grain for growing gilts. (Displays charts listing tankage and a so-called complete supplement for growing pigs with the current prices on each.) To determine which of these feeds supplies protein at the lowest price we divide the pounds of protein in a cwt. of feed into the price per cwt. and we get _____ for the protein in tankage and _____ for the protein in the supplement.

First Club Member: Our experiment station has found that certain minerals and vitamins must be applied in addition to protein carriers and the home-grown grains. Feed manufacturers, which includes both the cooperative feed mills and those operated by others, generally follow the results of research closely and try to put into their mixtures all of the essential minerals and vitamins. If a farmer wants to buy minerals and vitamin carriers to mix with a protein supplement and his home-grown grains, our experiment station recommends this mixture: (here display the mineral mixture recommended by your State experiment station).

Second Club Member: Some savings can be made by purchasing feeds when the protein supplements are most plentiful in the market. We asked our local feed dealer to give us the price of tankage and of a high protein mixed supplement by months for the past year. Here we have those prices.

(Display a card listing average price of tankage and high protein hog supplement by months.)

Note: Point out the greatest price spread between high and low months. Ask the feed dealer supplying the prices whether these differences by months are typical for the year.

First Club Member: One further fact needs to be considered in what to buy, when to buy and where to buy our feeds. Cooperative feed mills and distributors of cooperative feeds price their feeds about the same as other manufacturers or dealers. We learned at the local (farmers elevator, Farm Bureau, Farmers' Union or other cooperative distributing point) that at the end of last year, patrons received a refund on feed of about _____ per cwt. This refund or overcharge made when the feed was delivered is necessary in a cooperative business to make sure that good service can be maintained and all costs can be paid. The refund of overcharge on purchases is like a discount. Feed costs are a large part of the total cost of making pork. The refund or discount secured through cooperative buying of feed has the same effect on net income as to getting a higher price for hogs. It means more net profit to the farmer.

FOUR KINDS OF BUSINESS FIRMS¹

Jas. L. Robinson

1st Member

Captain or leader introduces himself and his teammate.

The captain in his opening statement can explain how he and other 4-H members became interested in the different ways they had observed people doing business. The members themselves had been buying, selling, borrowing, insuring or doing other business with various firms. They had noticed that some of these companies had one man's name; some had two or more. Then there were others with special names of their own, and some of these used the word cooperative.

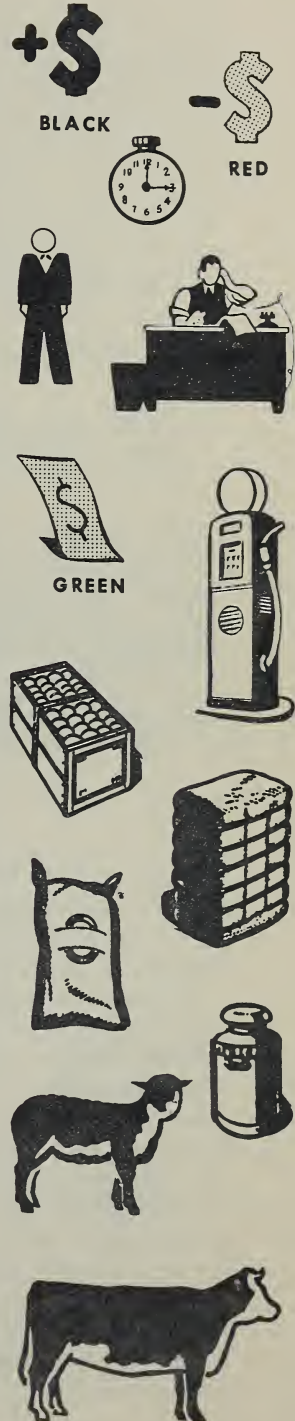
The captain then tells about asking their adult leader or county agent about the difference in these firms, or he may point out that the leader got them to talking about the businesses and whether or not there was any advantage in one over the other. He then calls on his teammate to tell how the club members went about learning more than they already knew.

2nd Member

The second member then relates the different steps taken by the club to get more information about the different kinds of business firms. This would probably include a "talk fest" or "bull session" where each member told what he or she knew. Individually they probably talked with their parents and maybe others and asked them questions. The group got other facts from their adult leader or agent. The club may have visited two or more businesses and asked the managers how they were run. Some of their families may have farm partnership arrangements with them or with older brothers. Several parents are probably members of cooperatives, and some may own stock in non-cooperative corporations. Some 4-H members read circulars or newspaper stories that gave other facts. He then asks the first member to tell about the individual business firm.

1st Member

The first member can say that individual business are by far the most numerous of all. They are so common we take them



¹This illustrated talk is suggested for use by two older 4-H club members. It could be given by one member or by an adult leader or county extension worker in a meeting of a club. It is assumed that the 4-H club or at least the members giving the talk have visited the different kinds of business firms and talked with the managers as well as parents, teachers, and others about the ways of doing business. The talk when given by 4-H members would be appropriate for meetings of cooperatives or at civic clubs.

for granted. Everybody knows of stores, garages, trucks, saw mills, cotton gins, and many other kinds of business run by one person. The greatest number by far are the farms, nearly all of which are individual family affairs.

In an individual business one person is the owner. He puts in his own money or what he has borrowed. He makes the decisions. Often he does a large part or all the work as is usual on the farm. However, he may hire others to help him.

Some advantages of the individual businesses are:

Great freedom to start and operate as the owner wishes.
All the profits belong to the owner.

Some disadvantages are:

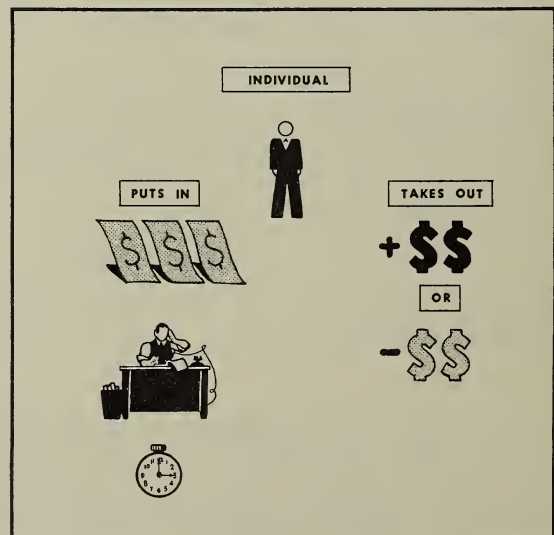
Often it's hard to get enough money.
Owner has to take all risks and pay all losses.
Many times there is no one to take over when the owner retires or dies.

(The member sticks his symbol for an individual to the board as he begins his talk, and as he proceeds places his heading and symbols of what the owner contributes under him to the left. Then on the right he puts his heading and symbols for returns which might be represented by black dollar marks for gains and red for losses.)

He then calls on the second member to tell about partnerships formed by two or more people.

2nd Member

The second member points out that two or more people become partners because they can do better by teaming up than by going it alone. Maybe it's just a case of putting together what they have of the same things to do a bigger business. More likely one partner has more money or other capital, while the other can devote more time and labor to the business. Sometimes one is getting older and wants to be less active, while the younger man is eager to learn the business and get started in it. This is often the case in father-son partnerships in farming.



If one partner falls down on his job or makes a bad deal for the firm all the partners lose. They may lose money they did not put in the business. Another disadvantage is that when one of the partners dies or retires the others must make a settlement and usually pay out his part in the business.

The member can probably name several partnerships in both farming and other businesses. Maybe he will know of one or more where there is a written agreement that spells out just what each partner is to do. The partnership agreement either written or oral also tells how decisions are to be made and how profits or losses are to be divided.

(The speaker here follows the same procedure with his illustrations as with the individual except that two individuals are fastened to the background. The first symbols can be removed and the new and old put up or the old left and the new added. As the contributions are mentioned it is indicated that they are made by one or by the other partner, and the returns are separated as belonging to the two.)

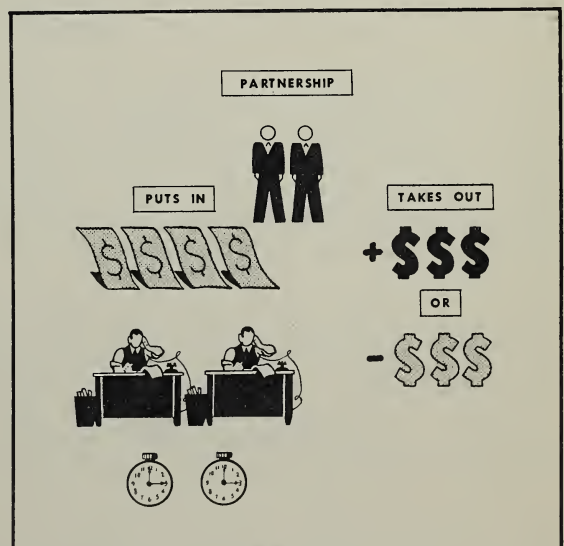
He then calls on the first member to tell about corporations where a lot of people may be owners of one business.

1st Member

The first member can say yes, we found that the number of people who may be owners is one of the important things about a corporation. This makes it possible to get a lot of money in one business. People put money into a corporation by buying shares of stock. He may mention a railroad or General Motors or other well known corporation that has thousands of stockholders. He should also name some small local corporations.

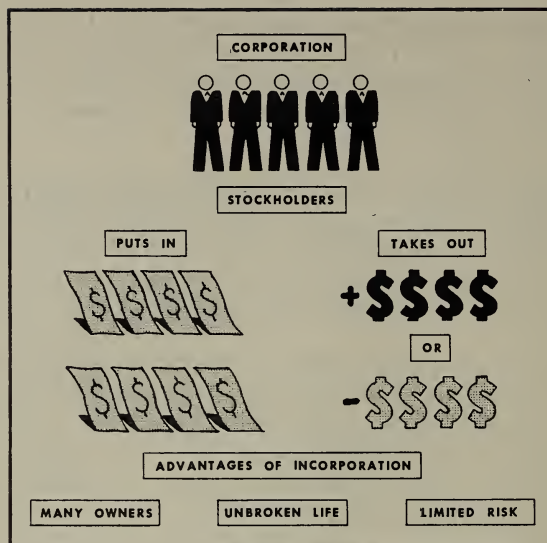
He can then point out that the club members learned that people who wish to form corporations have to get permission from the Government, usually the State Government. The paper that gives this permission to operate is called a charter. After they get a charter they are said to be incorporated. This charter and the by-laws of the corporation tell how it is to be run.

If profits are made they belong to the stockholders in proportion to the shares of stock that they own. Normally the stockowners get this return for the use of their money without having to do anything besides buy the stock.



He can then point out that they learned two other reasons why corporations are formed. The firm can go ahead and do business by getting new stockholders and new officers after the old ones leave, sell out, or die. The business of an individual or partnership has to be settled and either wound up or started anew when any owner goes out.

Also if an incorporated business fails -- goes bankrupt -- the stockholders normally lose only what they put into the business when they bought stock. If the firm that is run as a partnership or individual business goes bankrupt the owners are individually responsible and it may take everything they have to pay the debts of the business.



(The symbols for partnership should be taken down before starting with the corporation. As he gives his information about this type of firm the speaker puts up his figure representing it and below puts his symbols for dollars for investment and dollars for returns as with the individual and the partnership. He then puts up a strip labeled Advantages of Incorporation and under it, as he talks, puts three more, worded, Many Owners, Unbroken Life, Limited Risk.)

He then asks the second member if a cooperative is a corporation.

2nd Member

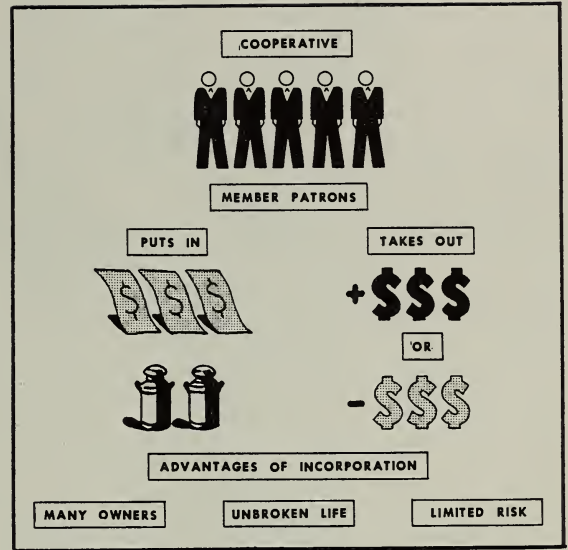
The second member can say yes, a cooperative is almost always a corporation. A cooperative, however, gets its charter under a special law that tells something of how it has to be run. But it still is just another kind of business corporation. Churches, lodges, colleges and a lot of other organizations are also corporations, but are organized for other purposes, not to do business.

The 4-H members learned that the cooperative corporation is like the ordinary corporation in the three advantages it has over individuals and partnerships. It can keep on doing business while the membership changes. The owners usually are only liable for debts of the firm up to the amount of the money they have in the association. And a large number of people may join together in order to run a large business.

In a cooperative, however, members not only put in their money for it to use, but they also agree to do business with it. This may be bringing

their products for the cooperative to sell, coming to it for the supplies or goods they buy, or getting needed services from it. This might be credit, insurance, electricity, irrigation water or any number of other services.

In fact the 4-H members found that the patronage the members bring to their cooperatives is even more important than the amount of money they put in it. Usually if a large volume of business is done the cooperative is a success. Any margins made after paying expenses belong to the members. They may pay themselves some interest on their investment, but most of the savings are divided in proportion to the business they have done with their cooperative.



(As the talker tells about the cooperatives he leaves the bottom part of the corporation illustration giving the advantages of incorporation, but removes the corporation symbol and substitutes the one for cooperatives. Then he adds the symbols for patronage to the dollar symbols representing investment and puts the one for member-patrons in place of the one for stockholders.)

